

Transportation Programs Receive Big Funding Increases

Reauthorized highway and transit legislation has funded transportation at record levels in 1999. Most other rural infrastructure programs, including environmental and telecommunications programs, also have received higher funding.

Funding for the Nation's roads and mass transit systems is up sharply in 1999 with passage of the Transportation Equity Act for the 21st Century (TEA-21) (P.L. 105-178) (see "TEA-21 Authorizes Record Funding for Highways and Transit Through 2003," pg. 30, in this issue). TEA-21 authorizes a record \$218 billion for highway and transit programs over the next 6 years (fiscal years 1998-2003), a 40-percent increase over the previous 6-year period. The majority of funding for most highway, highway safety, and transit programs is guaranteed. Highways, which are funded under the Department of Transportation's (DOT) Highway Planning and Construction Program, have received a record \$28.2 billion in 1999, up 18 percent from 1998 funding levels (table 1). This program is important in many nonmetro counties, especially in the West where per capita allocations are highest.

Funding for public transit has increased sharply under TEA-21, with the main rural transit program (section 5311) receiving \$178 million in 1999, a 32-percent increase. Rural transit also benefits from an increase in the share of funds available under the Nation's transit funding formula, growing 16 percent during 1998-2003. For the first time in the program's history, transit funding increases are largely guaranteed or "walled-off," assuring an estimated 80-percent return on authorized funding levels. These changes will likely benefit nonmetro service-dependent counties, which are clustered in parts of the West and the Midwest.

The Appalachian Development Highway System, the main road-building program of the Appalachian Regional Commission, has received \$450 million in 1999, a 50-percent boost from the prior year's funding level. Funding for this program, the stated objective of which is to provide Appalachia with a modern system of four-lane highways, may benefit rural industries located in Appalachia, such as mining, manufacturing, tourism, recreation, and service industries.

Other Rural Transportation Programs

The \$1.6 billion (1999) Airport Improvement Program, which provides grants for airport capital projects, such as runway repaving, control tower improvements, and aviation safety projects, is unchanged from the previous year. Nonmetro service-dependent counties, which are located throughout the Nation, with clusters in the West and Midwest, have received the highest per capita funding for this program. The Essential Air Services program, which funds air service for small communities that lost service after deregulation, has received \$50 million in funding for 1999, unchanged from the year before. This program mostly benefits a small number of rural communities, mainly in the Midwest, the Rocky Mountain States, and Alaska (see *RCaT*, Vol. 9, No. 1).

Amtrak has received \$609 million in funding in 1999, which represents a 23-percent decrease from the prior year but remains in line with a 1997 agreement to decrease funding levels for day-to-day operations. Although Amtrak continues to gain significantly in ridership, most small towns are not greatly affected because relatively few nonmetro communities have passenger rail service.

Few Changes to Environmental Infrastructure Programs

The Environmental Protection Agency's (EPA) Drinking Water State Revolving Fund (SRF) program, which makes low-interest loans to public water systems and provides grants to Indian tribes and Alaskan Native villages as a means of improving local drinking water systems, has received \$775 million in Federal funding for fiscal year 1999, an increase of 7 percent from the year before. The Clean Water State Revolving Fund, which provides financial assistance for wastewater systems, has received \$1.35 billion in

1999, unchanged from 1998. Another important EPA rural water program, the U.S./Mexico Border Program, which provides funds to support the planning, design, and construction of high-priority water and wastewater and drinking facilities along the U.S./Mexico border, has received \$50 million in 1999.

The largest USDA infrastructure program, the Water and Waste Disposal Program, provides loans and grants to small (10,000 or fewer residents) rural communities for establishing, expanding, and modernizing water and waste disposal facilities. Communities must first be denied access to commercial credit to be eligible for assistance. This program will

Table 1

Federal funding for selected rural infrastructure programs by fiscal year

Funding has increased for most infrastructure programs in 1999

Program	1998 actual	1999 estimate	Change ¹	Rural areas most affected by the program ²
	Billion dollars		Percent	
DOT Highway Planning and Construction Program ³	23.82	28.19	18	Counties in the West
DOT Airport Improvement Program ³	1.60	1.60	0	Services-dependent and Federal land counties
EPA Drinking Water State Revolving Fund ³	.73	.78	7	Disadvantaged communities with small water systems
EPA Clean Water State Revolving Fund ³	1.35	1.35	0	Government counties in the South
USDA Water and Waste Disposal Program	1.32	1.32	0	Totally rural and persistent-poverty counties
USDA Community Facility Program	.29	.39	36	Totally rural counties in the South
EDA public works grants	.18	.21	16	Manufacturing counties
USDA telecommunication loans ⁴	.40	.50	25	Rural areas in general
USDA Distance Learning and Telemedicine Program	.03	.16	523	Rural areas in general
USDA Electric Loan Program	.93	1.07	15	Rural areas in general

Note: USDA = U.S. Department of Agriculture; DOT = U.S. Department of Transportation; EPA = U.S. Environmental Protection Agency; EDA = Economic Development Administration, U.S. Department of Commerce. County types are defined in the appendix.

¹Change is computed using actual amounts in millions of dollars, rather than rounded amounts shown in table.

²See appendix for definitions of rural areas.

³Includes funding for urban areas.

⁴Excludes Rural Telephone Bank loans.

Source: *Budget of the United States Government, Fiscal Year 2000.*

provide \$1.32 billion in loans (primarily direct loans) and grants for 1999, unchanged from the prior year. This aid supports USDA's Water 2000 initiative, which targets Federal investment to rural communities having the most serious drinking water quality, quantity, and dependability problems. In 1999, the program is expected to create over 36,000 rural jobs, provide new water services to nearly 540,000 rural residents, and improve water services for over 1.1 million rural residents. Safe, affordable sewage disposal service will be provided to approximately 515,000 rural people. The location of water systems and other utilities served by USDA's Rural Utility Service are shown in figure 1.

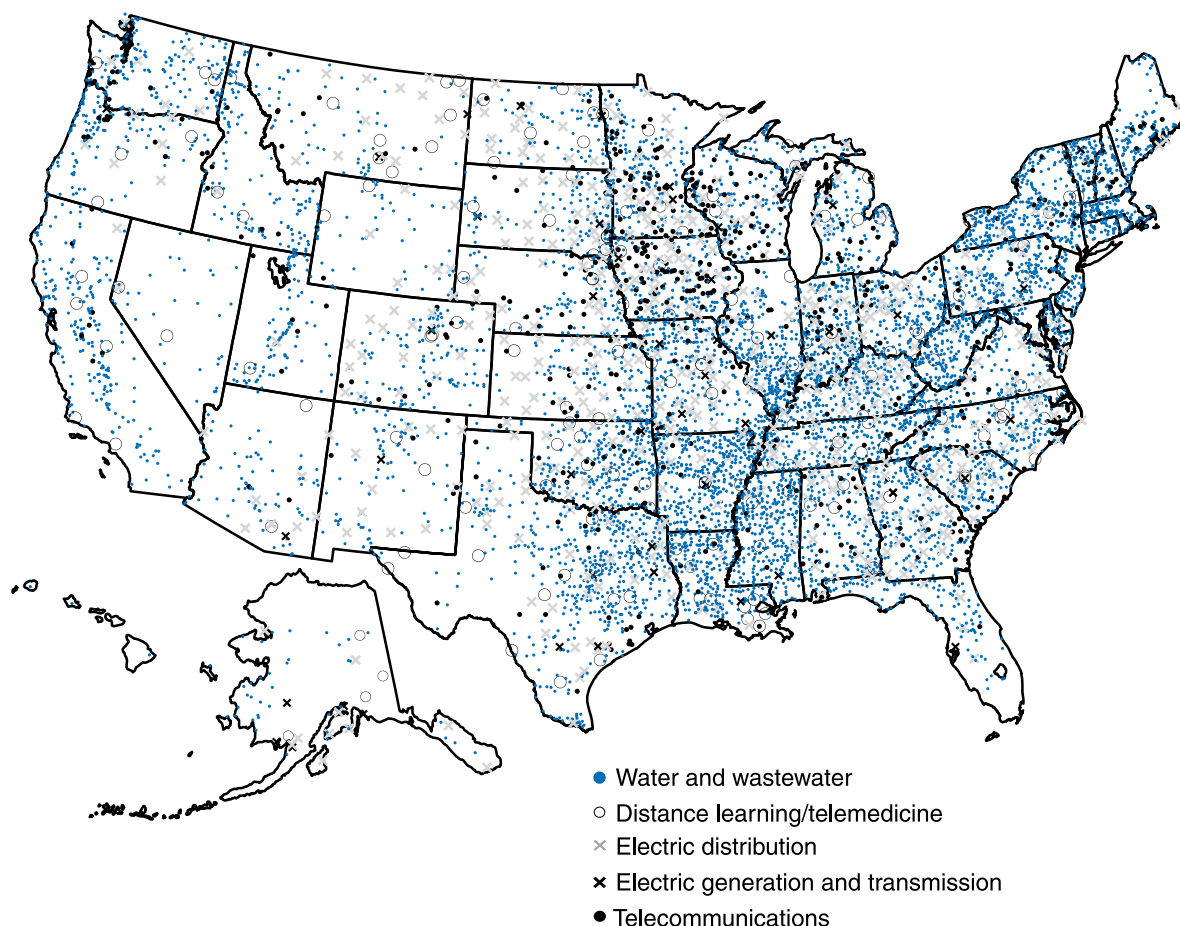
Other Infrastructure Programs

Most of USDA's other infrastructure programs are expected to finance larger amounts of infrastructure for fiscal year 1999 by increasing money available for guaranteed loans while reducing funds for direct loans. For example, the Rural Housing Service's \$387 million (1999) Community Facility Program, which provides loans and grants for essential community facilities in rural areas, will get a 36-percent boost in funds compared with 1998. Guaranteed loan funds for this program have increased 223 percent, direct loan funds have decreased 19 percent, and grant funds have fallen 22 percent. Funds are allocated to each State based on its rural population, with the program mainly assisting totally rural areas in the South in recent years. The Forest Service's \$242 million (1999)

Figure 1

Headquarters of utilities that are currently active borrowers of the Rural Utility Service, 1999

The Rural Utility Service benefits rural areas Nationwide



Source: ERS, based on USDA, Rural Utility Service.

Payments to States program, which provides grants for public schools and roads on national forest lands, has grown by 3 percent.

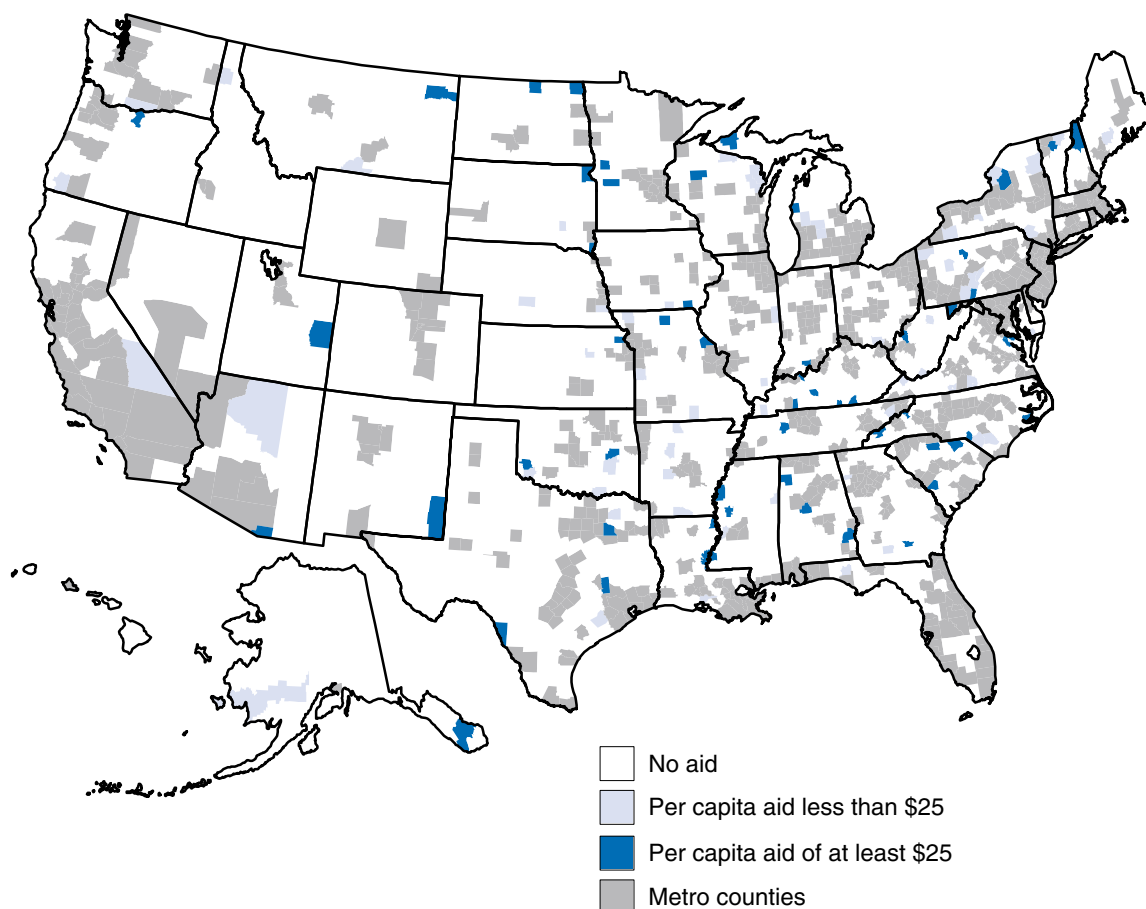
Economic Development Administration (EDA) public works grants help distressed communities create jobs by attracting new industries, promoting business expansion, and diversifying local economies. This Commerce Department program particularly benefits isolated rural counties (fig. 2). EDA funds have been used for a variety of public facilities, such as water and sewer systems, industrial access roads, port and railroad facilities, and business incubators. Funding for the EDA Public Works Grants program has increased by 16 percent for 1999 to \$206 million. This program has been reauthorized, with some provisions rewritten (see General Assistance article).

The Tennessee Valley Authority (TVA), the quasi-Federal agency that provides flood control, navigation, and electric power in the Tennessee Valley region, has had power proceeds and borrowings of \$6.1 billion in 1999, unchanged from the year before. TVA's role as the sole supplier of electric power to a largely nonmetro area of 80,000 square miles in the South is currently under review as Congress considers ways to restructure the electric power industry.

Figure 2

EDA Public Works Grants

Isolated counties receive highest levels of aid, per capita



Source: Calculated by ERS using Census Bureau data.

USDA's \$495 million (1999) telecommunications loans are projected to grow by 25 percent over 1998 levels. Due to a decrease in appropriations, the \$157 million (1999) Rural Telephone Bank loan program represents a projected decrease of 7 percent. These programs, important in totally rural counties, provide loans for upgrading and expanding telecommunications facilities that serve nonmetro residents. The great demand continues for program funds from USDA's \$162 million Distance Learning and Telemedicine Program, which provides loans and grants to improve rural education and health care through advanced telecommunication technologies. The program is projected to grow by over 500 percent in 1999, due to increased loan activity. The Commerce Department's Information Infrastructure Grants program, which promotes the widespread use of telecommunications (the so-called Information Super Highway) to improve the quality and accessibility of various teleservices, such as health care and education, has received \$18 million for 1999, a 10-percent cut.

USDA's \$1.07 billion (1999) Electric Loan Program, which provides loans for upgrading and expanding electric services to rural residents, is projected to grow by 15 percent in 1999. This aid supplements money available from private credit sources and is most important to rural residents in totally rural areas and persistent-poverty counties. *[Dennis Brown, 202-694-5338, dennisb@econ.ag.gov]*